

GARFIELD COUNTY, UTAH
FINANCIAL STATEMENTS
and
SUPPLEMENTARY INFORMATION
with
INDEPENDENT AUDITOR'S REPORT
YEAR ENDED DECEMBER 31, 2005

GARFIELD COUNTY, UTAH

TABLE OF CONTENTS

Financial Section:

Independent Auditor's Report	1
Management's Discussion and Analysis.....	2-8

Basic Financial Statements:

Government-Wide Financial Statements:

Statement of Net Assets.....	9
Statement of Activities.....	10-11

Fund Financial Statements:

Balance Sheet - Governmental Funds.....	12
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets.....	13
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	15
Statement of Net Assets - Major Proprietary Funds.....	16
Statement of Revenues, Expenses, and Changes in In Net Assets - Major Proprietary Funds.....	17
Statement of Cash Flows - Major Proprietary Funds.....	18
Statement of Fiduciary Net Assets - Agency Funds.....	19
Notes to Financial Statements.....	20-39

Required Supplementary Information (Unaudited):

Budgetary Comparison Schedules:

General Fund.....	40
-------------------	----

GARFIELD COUNTY, UTAH

TABLE OF CONTENTS

Combining Financial Statements and Schedules:

Combining Balance Sheet - Nonmajor Governmental Funds.....	41
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds.....	42
Combining Statement of Changes in Assets and Liabilities - Agency Funds.....	43
County Treasurer: Statement of Taxes Levied, Collected and Treasurer's Relief.....	44

Compliance Section

Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	45-46
Independent Auditor's Report on Legal Compliance with Applicable Utah State Laws and Regulations.....	47-48

FINANCIAL SECTION

Wilson & Company

Certified Public Accountants / A Professional Corporation

INDEPENDENT AUDITOR'S REPORT

The Honorable Board of
County Commissioners
Garfield County
Panguitch, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Garfield County, Utah as of and for the year ended December 31, 2005 which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Garfield County, Utah as of December 31, 2005 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2006, on our consideration of Garfield County, Utah's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis, as listed in the financial section of the table of contents and budgetary comparison information on page 40 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Garfield County, Utah's basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements of Garfield County, Utah. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.


WILSON & COMPANY
Certified Public Accountants

June 9, 2006
Cedar City, Utah

MANAGEMENT'S DISCUSSION & ANALYSIS

This section of Garfield County's (the County's) annual financial report presents our discussion and analysis of the County's financial performance during the fiscal year ended December 31, 2005. Please read this discussion and analysis in conjunction with the County's financial statements.

FINANCIAL HIGHLIGHTS

- The County's total net assets at the close of the fiscal year totaled \$37,812,227.
- General fund expenditures exceeded revenues by \$986,592 after all transfers between funds.
- The general fund's ending fund balance of \$4,197,775 represents 49 percent of the total budgeted expenditures for the fiscal year ending December 31, 2006.
- The County's total long-term debt decreased by \$220,000.
- Total net assets for the County's business-type activities increased by \$12,012.

OVERVIEW OF THE FINANCIAL STATEMENTS

The County's annual financial report includes: 1) this discussion and analysis, which serves as an introduction to the County's basic financial statements; 2) the basic financial statements comprised of the government-wide financial statements, fund financial statements, and notes to the financial statements; and 3) other supplementary information.

Government-wide financial statements. The government-wide financial statements include a statement of net assets and a statement of activities that provide a County-wide perspective of the County's overall financial status. These statements are prepared using accrual accounting methods similar to those used in preparing the financial statements of private-sector businesses.

- The *statement of net assets* presents information on all of the County's assets and liabilities. The difference between assets and liabilities represents the County's net assets. Increases or decreases in net assets, when viewed over a period of time, may serve as a useful indicator of whether the financial position of the County is improving or deteriorating, respectively.
- The *statement of activities* presents information reflecting how the County's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs irrespective of the timing of the related cash flows. Thus, all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Both of the government-wide financial statements distinguish between governmental activities, those principally supported by taxes and intergovernmental revenues, and business-type activities, those that are intended to recover all or a significant portion of their costs through user fees and charges.

The government-wide financial statements can be found on pages 9-11 of this report.

Fund financial statements. A fund is a group of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. This segregation is also used to ensure and demonstrate compliance with finance-related legal requirements. The County utilizes three types of funds: governmental funds, proprietary funds, and fiduciary funds.

- *Governmental funds* account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, these statements are prepared using modified accrual accounting methods, which measure cash and other financial assets readily convertible to cash and their balances available for use at year-end. As a result, these statements provide a short-term perspective of the County's general government operations and the basic services provided and may assist in determining the availability of financial resources that could be used in the near future to finance the County's programs.

A reconciliation between the long-term perspective of the government-wide financial statements and the short-term perspective of the fund financial statements is provided on page 13 and 15 of this report.

The County has identified two of its governmental funds to be major governmental funds requiring separate reporting. The remaining governmental funds are non-major funds and are included in the combining statements on pages 41-42 of this report.

- *Proprietary funds* account for the same functions and utilize the same accounting methods reported as business-type activities in the government-wide financial statements. Full accrual accounting methods are used and provide both long and short-term financial information. The County uses enterprise funds, one type of proprietary fund, to account for its business-type activities.

One of the County's enterprise funds qualifies as a major fund.

- *Fiduciary funds* account for resources held by the County for the benefit of parties outside the County. The County has a fiduciary responsibility to ensure that these resources are used for their intended beneficiaries and purposes. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds cannot be used to finance County programs. The County's fiduciary responsibilities are reported separately in a statement of fiduciary net assets and a statement of changes in fiduciary net assets. These statements are prepared using full accrual accounting methods similar to those used in preparing proprietary fund statements.

Fund financial statements can be found on pages 12-19 of this report.

Notes to the financial statements. The notes to the financial statements provide additional information essential to understanding the government-wide and fund financial statements.

The notes to the financial statements are on pages 20-39 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As was previously noted, increases or decreases in net assets, when viewed over a period of time, may serve as a useful indicator of whether the financial position of the County is improving or deteriorating, respectively. The County's total net assets, assets in excess of liabilities, totaled \$37,812,227.

GARFIELD COUNTY'S NET ASSETS

	Governmental Activities		Business-type Activities	
	2004	2005	2004	2005
Current & other assets	6,127,056	7,904,170	816,421	1,401,457
Capital assets	32,726,039	33,159,056	1,891,804	1,700,496
Total assets	38,853,095	41,063,226	2,708,225	3,101,953
Long-term liabilities outstanding	4,552,535	4,769,754		
Other liabilities	640,557	251,770	949,712	1,331,428
Total liabilities	5,193,092	5,021,524	949,712	1,331,428
Net assets:				
Investment in capital assets, net of debt	27,353,403	29,050,056	942,092	1,700,496
Restricted	158,213	109,510		
Unrestricted	6,148,388	6,882,136	816,421	70,029
Total net assets	33,660,004	36,041,702	1,758,513	1,770,525

GARFIELD COUNTY'S CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities	
	2004	2005	2004	2005
Revenues:				
Program revenues				
Charges for services	2,910,748	3,871,758	5,335,884	6,243,915
Operating grants & contributions	2,542,268	2,769,685		
Capital grants and contributions	172,758	131,850		
General revenues				
Taxes	2,988,000	3,081,913		
Interest earnings	89,033	197,178	4,221	229
Other revenues	(114,054)	498,868		
Total revenues	<u>8,588,753</u>	<u>10,551,252</u>	<u>5,340,105</u>	<u>6,244,144</u>
Expenses:				
General government	849,609	963,482		
Public safety/inspection services	2,530,509	2,672,595		
Public works/transportation services	2,341,344	2,981,327		
Culture and recreation	126,748	167,758		
Tourism/economic & community dev.	699,315	806,023		
Public health & welfare	232,395	233,336		
Interest and fiscal charges	338,054	145,033		
Hospital enterprise fund			6,175,652	6,432,132
Total expenses	<u>7,117,974</u>	<u>7,969,554</u>	<u>6,175,652</u>	<u>6,432,132</u>
Increase in net assets before transfers	1,470,779	2,581,698	(835,547)	(187,988)
Transfers	<u>(462,018)</u>	<u>(200,000)</u>	<u>462,018</u>	<u>200,000</u>
Increase/decrease in net assets	<u>1,008,761</u>	<u>2,381,698</u>	<u>(373,529)</u>	<u>12,012</u>

GOVERNMENTAL FUNDS FINANCIAL ANALYSIS

As was previously noted, the County's governmental funds provide a short-term perspective of the County's general government operations and the financial resources available in the near future to finance the County's programs. Differences between available financial resources and the short-term obligations of general government operations are reported as fund balances. Fund balances are designated as either reserved or unreserved. Reserved fund balances indicate amounts of the fund balance set aside for specific purposes or to meet specific requirements.

As of December 31, 2005, the County's governmental funds, which include the general fund, all special revenue funds, debt service funds and capital project funds, report a combined fund balance of \$ 7,652,400. This combined balance represents an increase of \$1,783,651 over last year's ending fund balances.

The general fund is the main operating fund of the County. All governmental-type activities not accounted for in a special revenue fund, debt service fund or capital project fund are accounted for in the general fund. Accounting for activities in funds other than the general fund may be required by state regulations or local ordinances; or, the County may simply desire to isolate the revenues and expenditures associated with a particular activity for matching purposes.

The general fund balance increased by \$986,592 to \$4.2 million during the fiscal year ending December 31, 2005. The \$4.2 million fund balance represents approximately 39 percent of budgeted revenues for the fiscal year ending December 31, 2006. State law requires counties to maintain a fund balance between 5 and 50 percent of General Fund Revenues.

Taxes are the largest source of revenues to the general fund representing approximately 23 percent of total general fund revenues. Sales tax revenues account for approximately 35 percent of all of the tax revenues generated in the general fund. Property taxes generated about 71 percent of the tax revenues.

As was previously noted, the County maintains an enterprise fund to account for its business-type activities. The separate enterprise fund statements provide the same information, with more detail, as the information provided for business-type activities in the government-wide financial statements.

GENERAL FUND BUDGETARY HIGHLIGHTS

The year 2005 originally adopted budget for the general fund totaled \$8,381,872. The County Commission approved a budget revision during the year. Budgeted expenditures increased by \$490,139 to a final general fund budget of \$8,872,011. Several reasons necessitated this revision. First, the sale and purchase of fixed assets, equipment in the road department. Second, as a result of a lawsuit decision for medical bills on the suspects in the David Jones Murder Case.

Actual general fund expenditures and transfers for the year ending December 31, 2005, totaled \$8,230,677. This amount is approximately \$151,195 under the originally adopted budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2005, the County had invested \$34,859,552, net of accumulated depreciation, in capital assets for its governmental and business-type activities.

GARFIELD COUNTY'S CAPITAL ASSETS
(net of depreciation)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>
Construction in progress	179,544			
Land and easements	5,058,078	5,058,078	5,443	5,443
Buildings	6,172,085	6,039,784	607,948	555,548
Improvements	18,060,010	18,900,213	462,965	401,677
Machinery, equipment & automobiles	3,256,325	3,160,981	815,448	737,828
Total net assets	<u>32,726,042</u>	<u>33,159,056</u>	<u>1,891,804</u>	<u>1,700,496</u>

Capital asset acquisitions and projects costing \$50,000 or more during the current fiscal year included:

- ◆ The Public Works Department sold two Case Wheel Loaders, for \$192,500 and purchased two new Case Wheel Loaders with a total purchase price of \$206,500.

Additional information regarding the County's capital assets can be found in the footnotes to the financial statements.

Long-term debt

At December 31, 2005, the County had total debt outstanding of \$4,109,000. Of this amount, \$4,109,000 is considered general obligation debt, which is secured by the full faith and credit of the County.

GARFIELD COUNTY'S OUTSTANDING DEBT
December 31, 2005

	<u>Governmental Activities</u>
General obligation bonds	<u>\$ 4,109,000</u>
Total	<u>\$ 4,109,000</u>

Additional information on the outstanding debt of the County is located in the footnotes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The unemployment rate for Garfield County was 8.4 percent for the year ended December 31, 2005. This percentage is higher than the state unemployment rate of 4.3 percent and higher than the national unemployment rate of 5.1 percent for the same period. (Source: Utah Department of Workforce Services and the U.S. Department of Labor)

REQUESTS FOR FINANCIAL INFORMATION

This financial report is designed to provide users with a general overview of the County's finances and demonstrate accountability for the sources and uses of County funding. Questions concerning information contained in this report or requests for additional financial information should be addressed to the Garfield County Auditor, PO Box 77, 55 South Main Street, Panguitch, Utah 84759.

BASIC FINANCIAL STATEMENTS

GARFIELD COUNTY, UTAH**Statement of Net Assets**

December 31, 2005

	Governmental Activities	Business Type Activities	Total
Assets:			
Current assets:			
Cash & cash equivalents	\$ 7,712,120	\$ 991,253	\$ 8,703,373
Accounts receivable	138,889	186,344	325,233
Inventory	53,162	199,908	253,070
Prepaid insurance		23,952	23,952
Construction in progress	-		-
Capital assets, net of accumulated depreciation	33,159,056	1,700,496	34,859,552
Total assets	<u>41,063,226</u>	<u>3,101,953</u>	<u>44,165,179</u>
Liabilities and Net Assets			
Liabilities :			
Accounts payable	245,994	374,885	620,879
Other current liabilities		956,543	956,543
Payroll taxes payable	5,777		5,777
Compensated absences payable	435,874		435,874
Estimated closure and post-closure costs	224,880		224,880
Bonds payable			
Portion due within one year	227,000		227,000
Portion due after one year	3,882,000		3,882,000
Total liabilities	<u>5,021,524</u>	<u>1,331,428</u>	<u>6,352,952</u>
Net Assets:			
Invested in capital assets, net of related debt	29,050,056	1,700,496	30,750,552
Restricted for:			
Capital projects	16,595		16,595
Other purposes	92,915		92,915
Unrestricted	6,882,136	70,029	6,952,165
Total net assets	<u>\$ 36,041,702</u>	<u>\$ 1,770,525</u>	<u>\$ 37,812,227</u>

The notes to the financial statements are an integral part of this statement.

GARFIELD COUNTY, UTAH
Statement of Activities
Year Ended December 31, 2005

Functions	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 963,482	\$ 635,026	\$ -	\$ -	\$ (328,456)
Public safety/inspection services	2,672,595	2,322,716	76,055	-	(273,824)
Public works/transportation services	2,981,327	822,720	1,844,816	131,850	(181,941)
Culture & recreation	167,758	4,846	128,425		(34,487)
Tourism/economic & community development	806,023	86,450	602,444		(117,129)
Public health & welfare	233,336		117,945		(115,391)
Interest and fiscal charges	145,033				(145,033)
Total governmental activities	7,969,555	3,871,758	2,769,685	131,850	(1,196,262)
Business-type activities:					
Hospital enterprise fund	6,432,132	6,243,915			(188,217)
Total business-type activities	6,432,132	6,243,915	-	-	(188,217)
Total government	\$ 14,401,687	\$ 10,115,673	\$ 2,769,685	\$ 131,850	\$ (1,384,479)

(Continued on page 11)

GARFIELD COUNTY, UTAH
Statement of Activities
Year Ended December 31, 2005

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Changes in net assets			
Net (expense) revenue from previous page	\$ (1,196,262)	\$ (188,217)	\$ (1,384,479)
General revenues:			
Taxes:			
Property taxes	1,377,588		1,377,588
Fees-in-lieu of taxes	472,239		472,239
General sales and use taxes	541,885		541,885
Transient room taxes	546,899		546,899
Restaurant tax	143,302		143,302
Earnings on investments	197,178	229	197,407
Miscellaneous	206,546		206,546
Gain on Sale of Assets	292,323		292,323
Operating transfers	(200,000)	200,000	-
Total general revenues and transfers	<u>3,577,960</u>	<u>200,229</u>	<u>3,778,189</u>
Increase in net assets	2,381,698	12,012	2,393,710
Net assets - beginning	<u>33,660,004</u>	<u>1,758,513</u>	<u>35,418,517</u>
Net assets - ending	<u>\$ 36,041,702</u>	<u>\$ 1,770,525</u>	<u>\$ 37,812,227</u>

The notes to the financial statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

GARFIELD COUNTY, UTAH**Balance Sheet****Governmental Funds**

December 31, 2005

	General	Rural Health Care	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash & cash equivalents	\$ 4,225,817	\$ 2,650,412	\$ 835,891	\$ 7,712,120
Due from other funds	31,678			31,678
Other receivables	138,889			138,889
inventory	53,162			53,162
Total assets	<u>\$ 4,449,546</u>	<u>\$ 2,650,412</u>	<u>\$ 835,891</u>	<u>\$ 7,935,848</u>
Liabilities:				
Accounts payable	\$ 245,994	\$ -	\$ -	\$ 245,994
Payroll taxes payable	5,777			5,777
Wages payable	-			-
Due to other funds			31,678	31,678
Total liabilities	<u>251,771</u>	<u>-</u>	<u>31,678</u>	<u>283,448</u>
Fund balances:				
Reserved	92,915	2,650,412		2,743,327
Unreserved, undesignated	4,104,860		804,213	4,909,073
Total fund balances	<u>4,197,775</u>	<u>2,650,412</u>	<u>804,213</u>	<u>7,652,400</u>
Total liabilities and fund balances	<u>\$ 4,449,546</u>	<u>\$ 2,650,412</u>	<u>\$ 835,891</u>	<u>\$ 7,935,848</u>

The notes to the financial statements are an integral part of this statement.

GARFIELD COUNTY, UTAH
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
December 31, 2005

Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balance - governmental funds	\$ 7,652,400
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$57,382,234 and the accumulated depreciation is \$24,223,179.	33,159,055
Long-term Obligations	(4,769,753)
Total net assets - governmental activities	<u>\$ 36,041,702</u>

The notes to the financial statements are an integral part of this statement.

GARFIELD COUNTY, UTAH
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2005

	General	Rural Health Care	Other Governmental Funds	Total Governmental Funds
REVENUES:				
Taxes	\$ 1,956,194	\$ 773,947	\$ -	\$ 2,730,141
Interest earnings	95,964	71,275	29,824	197,063
Licenses and permits	165,746			165,746
Intergovernmental revenues	2,731,682		534,921	3,266,604
Charges for services	3,032,637		-	3,032,637
Fines and forfeitures	192,460			192,460
Miscellaneous	581,260		110,000	691,260
Total revenues	<u>8,755,944</u>	<u>845,222</u>	<u>674,745</u>	<u>10,275,911</u>
EXPENDITURES:				
General government	993,742		-	993,742
Public safety/inspection services	2,661,612		-	2,661,612
Public works/transportaion	2,781,335		294,241	3,075,576
Culture & recreation	167,758		-	167,758
Tourism/economic & community development	799,725		-	799,725
Public health & welfare	211,832		-	211,832
Capital outlay			-	-
Debt service	365,033			365,033
Total expenditures	<u>7,981,037</u>	<u>-</u>	<u>294,241</u>	<u>8,275,279</u>
Excess of revenues over (under) expenditures	<u>774,906</u>	<u>845,222</u>	<u>380,504</u>	<u>2,000,632</u>
OTHER FINANCING SOURCES (USES):				
Debt proceeds			-	-
Operating transfers in	461,326		151,108	612,434
Operating transfers out	(249,640)	(200,000)	(379,775)	(829,415)
Sale of fixed assets				
Total other financing sources (uses)	<u>211,686</u>	<u>(200,000)</u>	<u>(228,667)</u>	<u>(216,981)</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>986,592</u>	<u>645,222</u>	<u>151,837</u>	<u>1,783,651</u>
FUND BALANCES JANUARY 1	3,211,183	2,005,190	652,376	5,868,749
FUND BALANCES DECEMBER 31	<u>\$ 4,197,775</u>	<u>\$ 2,650,412</u>	<u>\$ 804,213</u>	<u>\$ 7,652,400</u>

The notes to the financial statements are an integral part of this statement.

GARFIELD COUNTY, UTAH
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
Year Ended December 31, 2005

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances-total governmental funds \$ 1,783,651

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	920,000	
Depreciation expense	<u>(779,309)</u>	
		140,691

The governmental funds report bond proceeds as an other financing source, while repayment of bond principal is reported as an expenditure. Also, governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Repayment of bond principal	<u>220,000</u>	
		220,000

Long-term capital lease payments are recorded as expenditures as paid		31,955
---	--	--------

Net increase in compensated absences payable		(53,625)
--	--	----------

Net increase in estimated closure and post closure costs		(33,297)
--	--	----------

Gain on assets sold		292,323
---------------------	--	---------

Change in net assets of governmental activities		<u><u>\$ 2,381,698</u></u>
---	--	----------------------------

The notes to the financial statements are an integral part of this statement.

GARFIELD COUNTY, UTAH
Statement of Net Assets
Major Proprietary Funds
December 31, 2005

	Hospital Enterprise Fund	Total
Assets		
Current assets:		
Cash & cash equivalents	\$ 991,253	\$ 991,253
Accounts receivable (net of allowance)	186,344	186,344
Inventory	199,908	199,908
Prepaid insurance	23,952	23,952
Total current assets	<u>1,401,457</u>	<u>1,401,457</u>
Long-term assets:		-
Capital assets, net of accumulated depreciation	1,700,496	1,700,496
Total long-term assets	<u>1,700,496</u>	<u>1,700,496</u>
Total assets	<u>3,101,953</u>	<u>3,101,953</u>
Liabilities and Net Assets		
Liabilities :		
Current liabilities:		
Accounts payable	374,885	374,885
Other current liabilities	956,543	956,543
Total current liabilities	<u>1,331,428</u>	<u>374,885</u>
Total liabilities	<u>1,331,428</u>	<u>374,885</u>
Net assets:		
Invested in capital assets, net of related debt	1,700,496	1,700,496
Unrestricted	70,029	70,029
Total net assets	<u>\$ 1,770,525</u>	<u>\$ 1,770,525</u>

The notes to the financial statements are an integral part of this statement.

GARFIELD COUNTY, UTAH
Statement of Revenues, Expenses and Changes in Net Assets
Major Proprietary Funds
Year Ended December 31, 2005

	Hospital Enterprise Fund	Total
Operating revenues:		
Net revenue	\$ 6,243,915	\$ 6,243,915
Miscellaneous		
Total operating revenues	<u>6,243,915</u>	<u>6,243,915</u>
Operating expenses:		
Salaries	3,370,781	3,370,781
Employees benefits	1,062,654	1,062,654
Central services	172,673	172,673
Medical supplies	453,733	453,733
Non-medical supplies	187,064	187,064
Professional services	324,222	324,222
Purchased services	272,620	272,620
Utilities	93,540	93,540
Risk management	72,828	72,828
Other expenses	148,938	148,938
Depreciation	318,986	318,986
Total operating expenses	<u>6,478,039</u>	<u>6,478,039</u>
Operating income (loss)	(234,124)	(234,124)
Nonoperating income:		
Interest earnings	229	229
Gain (Loss) on disposition of assets	45,907	45,907
Total nonoperating income	<u>46,136</u>	<u>46,136</u>
Net income (loss) before transfers	(187,988)	(187,988)
Transfer in	200,000	200,000
Change in net assets	12,012	12,012
Net assets - beginning	1,758,513	1,758,513
Net assets - ending	<u>\$ 1,770,525</u>	<u>\$ 1,770,525</u>

The notes to the financial statements are an integral part of this statement.

GARFIELD COUNTY, UTAH
Statement of Cash Flows
Major Proprietary Funds
Year Ended December 31, 2005

	Hospital Enterprise Fund	Total
Cash flows from operating activities:		
Cash received from customers	\$ 7,407,542	\$ 7,407,542
Cash payments to suppliers for goods and services	(2,034,225)	(2,034,225)
Cash payments to employees for services	(4,720,849)	(4,720,849)
Net cash provided (used) by operating activities	<u>652,468</u>	<u>652,468</u>
Cash flows from noncapital financing activities:		
Operating transfers from other funds	<u>200,000</u>	<u>200,000</u>
Net cash (used) by noncapital financing activities	<u>200,000</u>	<u>200,000</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	<u>(81,771)</u>	<u>(81,771)</u>
Net cash (used) by capital and related activities	<u>(81,771)</u>	<u>(81,771)</u>
Cash flows from investing activities		
Interest received	<u>229</u>	<u>229</u>
Net cash (used) by investing activities	<u>229</u>	<u>229</u>
Net increase in cash and cash equivalents	<u>770,926</u>	<u>770,926</u>
Cash and Cash Equivalents - Beginning	<u>220,327</u>	<u>220,327</u>
Cash and Cash Equivalents - Ending	<u>\$ 991,253</u>	<u>\$ 991,253</u>
 Reconciliation of operating income (loss) to net net cash provided (used) by operating activities:		
Operating income (loss)	\$ (234,124)	\$ (234,124)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		-
Depreciation expense	318,986	318,986
Increase decrease accounts receivable	207,084	207,084
Increase decrease in inventory	2,758	2,758
Increase decrease in other assets	(23,952)	(23,952)
Increase decrease in accounts payable	(574,827)	(574,827)
Increase decrease in other payables	956,543	956,543
Total adjustments	<u>886,592</u>	<u>886,592</u>
Net cash provided (used) by operating activities	<u>\$ 652,468</u>	<u>\$ 652,468</u>

The notes to the financial statements are an integral part of this statement.

GARFIELD COUNTY, UTAH
Statement of Fiduciary Net Assets
Agency Funds
December 31, 2005

	<u>Total</u>
Assets	
Cash & cash equivalents	\$ 702,115
Taxes receivable	46,189
Total assets	<u>\$ 748,304</u>
Liabilities	
Due to taxing units	\$ 748,304
Total liabilities	<u>\$ 748,304</u>

GARFIELD COUNTY, UTAH
NOTES TO FINANCIAL STATEMENT
December 31, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of Garfield County have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

The accompanying basic financial statements present the financial position of various fund types and account groups and the results of operations of the various fund types. The basic financial statements are presented for the year ended December 31, 2005.

A. Reporting Entity

For financial reporting purposes, Garfield County has included all funds and account groups. The County has also considered all potential component units for which it is financially accountable and that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the County.

As required by generally accepted accounting principles, these basic financial statements present Garfield County (the primary government) and its component units. The component units are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Discretely Presented Component Units:

There are no discretely presented component units.

Blended component Units:

Garfield County Special Service District #1

The Special Service District provides services to residents within the geographic boundaries of the government. The District provides construction, maintenance and repair of roads within the unincorporated areas of the County. Funding is provided through allocations of state mineral lease funds. Transactions of the District are blended into the audit report issued by Garfield County. No separate audit report is issued.

GARFIELD COUNTY, UTAH
NOTES TO FINANCIAL STATEMENT
December 31, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Municipal Building Authority of Garfield County, Utah

The Municipal Building Authority of Garfield County, Utah (the Authority) was formally recognized by the State of Utah as an incorporated entity on January 4, 1994. The Authority was formed for the purpose of accomplishing the public purposes for which Garfield County exists by acquiring, improving, or extending one or more projects and financing the cost of such projects on behalf of Garfield County. The Authority is governed by a board of trustees comprised of the three elected commissioners of Garfield County. Transactions of the Authority are blended into the audit report issued by Garfield County. No separate audit report is issued.

Garfield County Fire Protection and Recreation District

The Garfield County Fire Protection and Recreation District was created on June 14, 1999 by Resolution 1999-5. The District was created to provide fire protection and recreation programs for the citizens of Garfield County. The District is governed by a supervisory board comprised of the three elected commissioners of Garfield County and local fire marshals. Transactions of the District are blended into the audit report issued by Garfield County. No separate audit report is issued.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., statement of net assets and statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

GARFIELD COUNTY, UTAH
NOTES TO FINANCIAL STATEMENT
December 31, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C: Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting as are the proprietary fund and the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, Garfield County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Rural Health Care Fund accounts for the collection and disbursement of rural health care tax funds collected by the County and used to support health care facilities within the County.

GARFIELD COUNTY, UTAH
NOTES TO FINANCIAL STATEMENT
December 31, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The Government also reports the following Other Governmental Funds:

The Municipal Building Authority which accounts for the construction of major fixed assets which are then leased to Garfield County for County purposes.

Fire Protection and Recreation Special Service District. This fund accounts for revenues and expenses allocated for specific purposes.

Garfield County Special Service District #1 accounts for funds received generally from state allocated mineral lease funds and expends those funds for construction, repairs and maintenance of roads in the unincorporated areas of Garfield County.

The government reports the following major proprietary fund:

The Hospital Enterprise Fund accounts for the activities of the Garfield Memorial Hospital. Operating revenues and expenses result from health care related services provided by hospital operations. The principal revenues of the fund generally result from charges to patients, insurance companies, medicare and medicaid agencies. Operating expenses result from hospital operations including depreciation of capital assets. All revenue and expense not meeting this definition are reported as non-operating revenues and expense.

The Treasurer's Tax Collection Agency Fund is used to account for taxes collected by the County Treasurer but not paid as a December 31 to the taxing entities within the County.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

GARFIELD COUNTY, UTAH
NOTES TO FINANCIAL STATEMENT
December 31, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D: Assets, Liabilities and Net Assets or Equity

Deposits and Investments:

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

Investments for the government, as well as for its component units, are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Capital Assets:

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

Buildings	40 Years
Improvements Other Than Buildings	20 Years
Equipment	5 Years

Compensated Absences:

The County has a policy which allows full time employees to accumulate vacation pay and sick pay. The County allows 30 days of vacation pay to be carried over from year to year. Upon termination employees will be paid one-half of unused, accrued sick leave up to 30 work days.

GARFIELD COUNTY, UTAH
NOTES TO FINANCIAL STATEMENT
December 31, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Long-Term Obligations:

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

In the fund financial statement, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, if any, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity:

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

E. Reconciliation of Government-Wide and Fund Financial Statements:

A. Explanation of certain differences between the governments fund balance sheet and the government-wide statement of net assets.

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities as reported in the government-wide statement of net assets. These differences primarily result from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets.

Capital related items:

When capital assets (property, plant, & equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the County as a whole.

Cost of capital assets	\$ 57,382,234
Accumulated depreciation	<u>(24,223,179)</u>
Total difference	<u>\$ 33,159,055</u>

GARFIELD COUNTY, UTAH
NOTES TO FINANCIAL STATEMENT
December 31, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Long-term liabilities:

Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund financial statements.

Principal portion of bonds and leases	\$ (4,109,000)
Compensated absences	(435,874)
Estimated closure and post-closure costs for landfill operations	<u>(224,879)</u>
Total difference	<u>\$ (4,769,753)</u>

B. Explanation of differences between governmental fund operating statements and the statement of net activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. The first element of this reconciliation states that capital outlays are reported in the governmental funds as expenditures while the government-wide statement of activities allocates these costs over the useful lives of the assets as depreciation. While shown in the reconciliation as the net differences, the elements of this difference are as follows:

Capital outlay	\$ 920,000
Depreciation expense	<u>(779,309)</u>
Net difference as reported	<u>\$ 140,691</u>

The governmental funds report bond proceeds as an other financing sources, while repayment of bond principal is reported as an expenditure. Also, governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Repayment of bond principal	\$ 220,000
Repayment of capital lease principal	<u>31,955</u>
	<u>\$ 251,955</u>

GARFIELD COUNTY, UTAH
NOTES TO FINANCIAL STATEMENT
December 31, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in government funds. The detail of this difference is as follows:

Gain on Assets Sold	\$ 292,323
Compensated Absences	(53,625)
Net Increase in Closure & Postclosure Costs	<u>(33,297)</u>
Total Adjustment	<u>\$ 205,401</u>

F: Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

G: Property Tax Calendar:

- | | |
|-----------|--|
| January 1 | Lien Date – All property appraised based upon situs and status as of this date (real and personal). |
| March 1 | Calendar year taxing entities must inform the County of the date, time and place of the budget hearing for the next fiscal year for inclusion with tax notice. |
| June 22 | All taxing entities to adopt tentative budgets and proposed tax rates and report them to the county auditor. |
| July 22 | County auditor to prepare and mail Notice of Valuation and Tax Changes to all real property owners, including centrally assessed property owners or in the event that Notices of Valuation and Tax Changes are not required, the county auditor is to compute taxes and the county treasurer is to mail tax notices. |
| Sept. 1 | State Tax Commission approves tax rates. |
| Nov. 1 | County auditor is to deliver the equalized assessment roll to the county treasurer with affidavit. |

GARFIELD COUNTY, UTAH
NOTES TO FINANCIAL STATEMENT
December 31, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

- Nov. 1 County auditor to charge the County Treasurer to account for all taxes levied.
- Nov. 1 County treasurer to mail tax notices. Tax notices for calendar year entities include notice of budget hearings.
- Nov. 30 Taxes on real property become delinquent.

H: Budgets and Budgetary Accounting:

The governing body of the entity shall establish the time and place of the public hearing to consider the adoption of the budget and shall publish notice of the hearing at least seven days prior to the hearing in at least one issue of the newspaper of general circulation published within the County in which the entity is located. If no such newspaper is published, the required notice may be posted in three public places within the entity's jurisdiction. The tentative budget must be made available to the public for inspection for a number of days, as provided by law, prior to the budget hearing.

1. On or before the first regularly scheduled meeting of the County Commission in the month of November, the County Auditor prepares a tentative budget for the next budget year.
2. After a public notice has been published, a public hearing is then held on the adoption of the budget.
3. After the public hearing, the County Commission makes final adjustments to the tentative budget.
4. On or before December 15, the County Commission adopts the budget by resolution or ordinance and sets the tax rate for taxes.
5. The Budget officer may transfer unexpended budgeted amounts within departments.
6. The County Commission may transfer unexpended budgeted amounts from one department in a fund to another department in the same fund by resolution.
7. The total budget appropriation of any governmental fund may be increased only after a public hearing has been held and followed by resolution of the County Commission.
8. Budgets for the General fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

GARFIELD COUNTY, UTAH
NOTES TO FINANCIAL STATEMENT
December 31, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The appropriated budget is prepared by fund, function and department. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the governing council. The legal level of budgetary control is the department level.

The Fiscal Procedures Act for Utah Counties require Counties to restrict expenditures to authorized departmental budgets. The combined statement of revenues, expenditures and changes in fund balance – budget and actual identifies the departments and funds which have overexpended budgeted amounts if any and, therefore, do not comply with appropriate fiscal procedures.

NOTE 2: CASH AND INVESTMENTS

The County maintains a cash and investment pool, which includes the cash account and several investments. The County also has deposits held by the Trust Department of Zions Bank as fiscal agent for bonds issued and by IHC Health Services.

Deposits and investments for local governments are governed by the Utah Money Management Act (*Utah Code Annotated*, Title 51, Chapter 7, "the Act") and by rules of the Utah Money Management Council ("the Council").

The County's deposit and investment policy is to follow the Utah Money Management Act and rules of the Utah Management Council. However, the County does not have a separate deposit or investment policy that addresses specific types of deposit and investment risks to which the County is exposed.

Utah State law requires that County funds be deposited with a "qualified depository" as defined by the Utah Money Management Act. "Qualified depository" includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements as defined in Rule 11 of the Utah Money Management Act. Rule 11 establishes the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and defines capital requirements which an institution must maintain to be eligible to accept public funds.

The Utah Money Management Act also governs the scope of securities allowed as appropriate temporary investments for the County and conditions for making investment transactions. Investment transactions are to be conducted through qualified depositories or primary reporting dealers.

GARFIELD COUNTY, UTAH
NOTES TO FINANCIAL STATEMENT
December 31, 2005

NOTE 2: CASH AND INVESTMENTS - CONTINUED

As of December 31, 2005, the County had the following deposits and investments:

<u>Deposit and investment type</u>	<u>Fair Value</u>
Cash on deposit	\$ 1,896,263
State Treasurer's investment pool	6,806,893
Cash with Fiscal Agent	<u>217</u>
	<u><u>\$ 8,703,373</u></u>

The following paragraphs discuss the County's exposure to various risks related to its cash management activities.

Custodial Credit Risk

Deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the County's deposits may not be recovered. The County's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the County to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of December 31, 2005, \$1,796,263 of the County's bank balances of \$1,896,263 were uninsured and uncollateralized.

Investments. Custodial credit risk for investments is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments that are in the possession of an outside party. The County does not have a formal policy for custodial credit risk of investments. The County's investment in the Utah Public Treasurer's Investment Fund has no custodial risk.

Credit Risk

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The County's policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as "first-tier" by two nationally recognized statistical rating

GARFIELD COUNTY, UTAH
NOTES TO FINANCIAL STATEMENT
December 31, 2005

NOTE 2: CASH AND INVESTMENTS - CONTINUED

organizations, one of which must be Moody's Investor Services or Standard & Poors; bankers acceptances; obligations of the U.S. Treasury and U.S. government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations as defined in the Act.

The County is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

Following are the County's investments at December 31, 2005.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Quality Ratings</u>
PTIF	\$6,806,893	less than 1 year	not rated

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The County manages its exposure to declines in fair value by solely investing in the PTIF and by adhering to the Money Management Act. The Act requires that the investing remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity of commercial paper to 270 days or less and fixed rate negotiable deposits and corporate obligations to 365 days or less. Maturities of the County's investments are noted above.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The County's policy to limit this risk is to adhere to the rules of the Money Management Council. The Council's rule 17 limits investments in a single issuer of commercial paper and corporate obligations to between 5 and 10 percent depending upon the total dollar amount held in the County's portfolio at the time of purchase.

As of year end, the County had no investments other than an investment in the Utah Public Treasurer's Investment Fund.

GARFIELD COUNTY, UTAH
NOTES TO FINANCIAL STATEMENT
December 31, 2005

NOTE 3. COMPENSATED ABSENCES:

Compensated absences of Garfield County represent accrued vacation and sick pay at December 31, 2005, in the amount of \$435,874.

NOTE 4. CAPITAL ASSETS:

Capital asset activity for the year ended December 31, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated				
Construction in Progress	\$ 179,544	\$	\$(179,544)	\$
Land	5,058,078			5,058,078
Total capital assets, not being depreciated	<u>5,237,622</u>		<u>(179,544)</u>	<u>5,058,078</u>
Capital assets, being depreciated:				
Buildings	7,141,069			7,141,069
Improvements other than buildings	37,807,802	1,053,233		38,861,035
Machinery, equipment, furniture & autos	6,071,977	773,905	(523,831)	6,322,051
Total capital assets, being depreciated	<u>51,020,848</u>	<u>1,827,138</u>	<u>(523,831)</u>	<u>52,324,155</u>
Accumulated depreciation for:				
Buildings	968,985	132,300		1,101,285
Improvements other than buildings	19,747,791	213,031		19,960,822
Machinery, equipment, furniture & autos	2,815,652	433,982	(88,564)	3,161,070
Total accumulated depreciation	<u>23,532,428</u>	<u>779,313</u>	<u>(88,564)</u>	<u>24,223,177</u>
Total capital assets, being depreciated, net	<u>27,488,420</u>	<u>1,047,825</u>	<u>(435,267)</u>	<u>28,100,978</u>
Governmental activities capital assets, net	<u>\$ 32,726,042</u>	<u>\$ 1,047,825</u>	<u>\$(614,811)</u>	<u>\$ 33,159,056</u>

GARFIELD COUNTY, UTAH
NOTES TO FINANCIAL STATEMENT
December 31, 2005

NOTE 4. CAPITAL ASSETS - CONTINUED

	Beginning Balance	Increases	Decreases	Ending Balance
Business type activities:				
Capital assets, not being depreciated				
Land	\$ 5,443	\$	\$	\$ 5,443
Total capital assets, not being depreciated	<u>5,443</u>			<u>5,443</u>
Capital assets, being depreciated:				
Buildings	1,508,578			1,508,578
Improvements other than buildings	819,696		(78)	819,618
Machinery, equipment & furniture	2,434,122	127,758		2,561,880
Total capital assets, being depreciated	<u>4,762,396</u>	<u>127,758</u>	<u>(78)</u>	<u>4,890,076</u>
Accumulated depreciation for:				
Buildings	900,630	52,400		953,030
Improvements other than buildings	356,731	61,210		417,941
Machinery, equipment & furniture	1,618,674	205,378		1,824,052
Total accumulated depreciation	<u>2,876,035</u>	<u>318,988</u>		<u>3,195,023</u>
Total capital assets, being depreciated, net	<u>1,886,361</u>	<u>(191,230)</u>	<u>(78)</u>	<u>1,695,053</u>
Governmental activities capital assets, net	<u>\$ 1,891,804</u>	<u>\$ (191,230)</u>	<u>\$ (78)</u>	<u>\$ 1,700,496</u>

	Beginning Balance
Depreciation was charged to functions as follows:	
General government	\$ 16,805
Public safety; inspection services	198,425
Public works/transportation services	539,402
Tourism/economic & community development	3,717
Public health & welfare	20,964
Total	<u>\$ 779,313</u>

GARFIELD COUNTY, UTAH
NOTES TO FINANCIAL STATEMENT
December 31, 2005

NOTE 5. CHANGES IN LONG-TERM DEBT:

The following is a summary of bond transactions of the County for the fiscal year ended December 31, 2005:

	<u>General Obligation</u>
Bonds payable as 12/31/04	\$4,329,000
Less Bond Payments	<u>(220,000)</u>
Bonds payable as 12/31/05	<u>\$ 4,109,000</u>

During the year ending December 31, 2004, the County issued \$1,935,000 in General Obligation Refunding Bonds-Series 2004.

The refunding bonds were used to refund \$1,775,000 of the outstanding balance of the General Obligation Bonds-Series 1999A with \$600,000 of the Series 1999A bonds remaining outstanding and to be paid by the County as defined by the bond covenants.

This transaction is considered to be an advanced refunding in that the refunding proceeds of \$1,935,000 were placed in an irrevocable escrow arrangement for the purpose of paying interest and principal on \$1,775,000 of the General Obligation Bonds-Series 1999A. The General Obligation Bonds-Series 1999A were originally issued in the amount of \$2,850,000 and had an outstanding principal balance of \$2,480,000 at the time of the partial refunding.

In accordance with generally accepted accounting principles concerning advanced refunding of bonds, the defeased bonds and refunding escrow are not reported by the County as part of the financial statements.

The Series 1999A bonds refunded bore interest varying from 5.1% to 5.55%. The refunding bond issue bears interest varying between 3% and 5% with the true interest cost at 3.82%. The average life of this issue is 10.461 years.

The refunding results in gross debt service savings of \$74,310 with the present value of the savings being \$59,482.

GARFIELD COUNTY, UTAH
NOTES TO FINANCIAL STATEMENT
December 31, 2005

NOTE 5. CHANGES IN LONG-TERM DEBT – CONTINUED

Long-term debt outstanding at year end is composed of the following:

\$2,850,000 General Obligation Bonds Series 1999A

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total Amount</u>
2006	\$ 115,000	\$ 120,460	\$ 235,460
2007	120,000	114,940	234,940
2008	125,000	109,060	234,060
2009	<u>130,000</u>	<u>102,873</u>	<u>232,873</u>
Total	<u>\$ 490,000</u>	<u>\$ 447,333</u>	<u>\$ 937,333</u>

\$2,000,000 General Obligation Bonds – Series 1999-B

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total Amount</u>
2006	\$ 89,000	\$ 39,725	\$ 128,725
2007	91000	37,500	128,500
2008	93000	35,225	128,225
2009	96000	32,900	128,900
2010	98,000	30,500	128,500
2011	100000	28,050	128,050
2012	103000	25,550	128,550
2013	105,000	22,975	127,975
2014	108,000	20,350	128,350
2015	111,000	17,650	128,650
2016	113,000	14,875	127,875
2017	116,000	12,050	128,050
2018	119,000	9,150	128,150
2019	122,000	6,175	128,175
2020	<u>125,000</u>	<u>3,125</u>	<u>128,125</u>
Total	<u>\$ 1,589,000</u>	<u>\$ 335,800</u>	<u>\$ 1,924,800</u>

GARFIELD COUNTY, UTAH
NOTES TO FINANCIAL STATEMENT
December 31, 2005

NOTE 5. CHANGES IN LONG-TERM DEBT – CONTINUED

\$1,935,000 General Obligation Public Safety Refunding Bonds
Series 2004

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total Amount</u>
2006	\$ 15,000	\$ 74,630	\$ 89,630
2007	20,000	74,180	94,180
2008	20,000	73,580	93,580
2009	20,000	72,980	92,980
2010	160,000	72,380	232,380
2011	160,000	67,580	227,580
2012	170,000	62,620	232,620
2013	170,000	57,095	227,095
2014	180,000	51,400	231,400
2015	185,000	45,190	230,190
2016	190,000	38,530	228,530
2017	200,000	31,500	231,500
2018	210,000	21,500	231,500
2019	220,000	11,000	231,000
Total	<u>\$ 1,920,000</u>	<u>\$ 754,165</u>	<u>\$ 2,674,165</u>

\$150,000 General Obligation Bonds – Series 1999-C

<u>Year</u>	<u>Principal Amount</u>	<u>Total Amount</u>
2006	\$ 8,000	\$ 8,000
2007	8000	8,000
2008	8000	8,000
2009	8000	8,000
2010	8000	8,000
2011	7,000	7,000
2012	7000	7,000
2013	7,000	7,000
2014	7,000	7,000
2015	7,000	7,000
2016	7,000	7,000
2017	7,000	7,000
2018	7,000	7,000
2019	7,000	7,000
2020	7,000	7,000
Total	<u>\$ 110,000</u>	<u>\$ 110,000</u>

GARFIELD COUNTY, UTAH
NOTES TO FINANCIAL STATEMENT
December 31, 2005

NOTE 6. DEFINED BENEFIT PENSION PLAN

Plan Description. Garfield County contributes to the Local Governmental Contributory Retirement System and Local Governmental Noncontributory Retirement System and Public Safety Retirement System for employers with (without) Social Security coverage, cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory Retirement System, Local Governmental Noncontributory Retirement System, and Public Safety Retirement System for employers with (without) Social Security coverage. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake County, Utah 84102 or by calling 1-800-365-8772.

Funding Policy. As of December 31, plan members in the Local Governmental Contributory Retirement System are required to contribute 6% of their annual covered salary (all or part may be paid by the employer for the employee) and Garfield County is required to contribute 7.08% of their annual covered salary. In the Local Governmental Noncontributory Retirement System Garfield County is required to contribute 11.09% of their annual covered salary. In the Public Safety Retirement System for employers with (without) Social Security coverage division members are required to contribute 19.08% of their annual covered salary for members in the noncontributory division. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

Garfield County's contributions to the Local Governmental Contributory Retirement System for the years ending December 31, 2005, 2004 and 2003 were \$19,020, \$17,158 and \$15,012 respectively and for the Noncontributory Retirement System the contributions for December 31, 2005, 2004 and 2003 were \$137,084, \$121,650 and \$102,065 respectively and for the Public Safety Retirement System the contributions for December 31, 2005, 2004, 2003 were \$153,938, \$134,990 and \$107,630 respectively. The contributions were equal to the required contributions for each year.

GARFIELD COUNTY, UTAH
NOTES TO FINANCIAL STATEMENT
December 31, 2005

NOTE 7. LANDFILL CLOSURE AND POST-CLOSURE CARE COSTS

Garfield County has estimated closure and post-closure care costs for landfills located within the County to be \$224,880. The nature and source of these costs as estimated by Garfield County are described below as well as other pertinent information concerning the landfills.

As of the date of this report, the County had not been notified of any corrective actions that need to be taken towards the landfills.

Total estimated closure and post-closure care costs of \$224,880 have been reflected on the County's balance sheet in the General Long-Term Debt Account Group.

	<u>Johns Valley</u>	<u>Ticaboo</u>	<u>Dead Animal Pit</u>
Closure Costs:			
Cover material	\$ 117,000	\$ 22,100	\$ 400
Engineering	5,800	1,100	
Quality control	11,700	2,200	
Total Closure Costs	134,500	25,400	400
Post-Closure Costs:			
Groundwater monitoring	36,000		
Leachate Collection and Storage	3,000		
Monitoring and System O & M	6,000		
Vegetative cover	150	150	
Soil cover	1,000	3,430	
Contingencies	2,350	500	
Reports	6,000	6,000	
Total Post-Closure Costs	54,500	10,080	
Total Costs	<u>\$ 189,000</u>	<u>\$ 35,480</u>	<u>\$ 400</u>

To date, Garfield County has not incurred any closure or post-closure care costs. The total estimated costs to be recognized remains at \$224,880.

Estimated landfill capacity used to date based on the county engineers estimates are as follows:

Johns Valley	22%
Ticaboo	22%
Dead Animal Pit	26%

GARFIELD COUNTY, UTAH
NOTES TO FINANCIAL STATEMENT
December 31, 2005

NOTE 7. LANDFILL CLOSURE AND POST-CLOSURE CARE COSTS - CONTINUED

The County estimates the useful life of each landfill as follows:

Johns Valley	50 plus years
Ticaboo	25 years
Dead Animal Pit	10 years

NOTE 8. RISK MANAGEMENT:

Garfield County is exposed to various types of risk such as tort actions, theft of, damage to, or destruction of, assets by intent or acts of God, errors and omissions, and job related illnesses or injury.

The County has procured commercial insurance coverage, which in the County's estimation, is adequate to reduce the risk of loss to a manageable level.

Settlements have not exceeded coverages for each of the past three years.

NOTE 9. HOSPITAL ACQUISITION:

The County entered into an asset purchase agreement with IHC Health Services, Inc., a Utah nonprofit corporation effective July 1, 2000 to purchase the assets of Garfield Memorial Hospital located in Panguitch, Utah. The asset purchase agreement was approved and ratified by a unanimous vote of the Garfield County Commission on October 9, 2000. The approval of the asset purchase agreements is documented by Garfield County Resolution No. 2000-15.

Pursuant to the asset purchase agreement, IHC Health Services, Inc. transferred hospital assets to the County. The County in turn assumed certain liabilities associated with the operation of the hospital. The County has reflected the purchase and operation of the hospital in an enterprise fund. In order to assure that funds will be available to cover operations of the Garfield Memorial Hospital and clinics, the County imposed a rural health care tax applicable to all transactions in the County which are subject to sales tax.

Also effective July 1, 2000, the County entered into a management agreement with IHC Health Services, Inc. to provide management services to the hospital. The agreement runs for a one-year period and from year-to-year thereafter.

REQUIRED SUPPLEMENTARY INFORMATION

(Unaudited)

GARFIELD COUNTY, UTAH
Budgetary Comparison Schedule
General Fund
Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
Budgetary fund balance, January 1	\$ 3,211,183	\$ 3,211,183	\$ 3,211,183	\$ -
Resources (inflows):				
Taxes	1,692,000	1,820,000	1,956,194	136,194
Interest earnings	65,000	85,000	95,964	10,964
Licenses and permits	56,500	96,500	165,746	69,246
Intergovernmental revenues	2,458,740	2,684,788	2,731,682	46,894
Charges for services	2,504,050	2,419,050	3,032,637	613,587
Fines and forfeitures	280,451	280,451	192,460	(87,991)
Miscellaneous	245,000	579,000	581,260	2,260
Operating transfers in	406,015	495,190	461,326	(33,864)
Amounts available for appropriation	<u>\$ 10,918,939</u>	<u>\$ 11,671,162</u>	<u>\$ 12,428,452</u>	<u>\$ 757,291</u>
Charges to appropriations (outflows):				
General government	\$ 954,567	\$ 1,054,001	\$ 993,742	\$ 60,259
Public safety/inspection services	2,747,286	2,819,800	2,661,612	158,188
Public works/transportaion	2,946,176	3,041,261	2,781,335	259,926
Culture & recreation	96,549	192,549	167,758	24,791
Tourism/economic & community development	767,546	891,188	799,725	91,463
Public health & welfare	228,400	228,500	211,832	16,668
Capital outlay				-
Debt service	382,496	382,496	365,033	17,463
Transfers out to other funds	258,852	262,216	249,640	12,576
Total charges to appropriations	<u>8,381,872</u>	<u>8,872,011</u>	<u>8,230,677</u>	<u>641,334</u>
Budgetary fund balance, December 31	<u>\$ 2,537,067</u>	<u>\$ 2,799,151</u>	<u>\$ 4,197,775</u>	<u>\$ 1,398,625</u>

The notes to the financial statements are an integral part of this statement.

**COMBINING FINANCIAL STATEMENTS
AND SCHEDULES**

GARFIELD COUNTY, UTAH
Combining Balance Sheet
Nonmajor Governmental Funds
Year Ended December 31, 2005

	Municipal Building Authority	Special Service District #1	Fire Protection Recreation SSD	Total Nonmajor Governmental Funds
Assets:				
Cash & cash equivalents	\$ 49,016	\$ 292,200	\$ 494,675	\$ 835,891
Other receivables				
Total assets	<u>\$ 49,016</u>	<u>\$ 292,200</u>	<u>\$ 494,675</u>	<u>\$ 835,891</u>
Liabilities:				
Due to other funds	\$ 31,678	\$ -	\$ -	\$ 31,678
Total liabilities	<u>31,678</u>			<u>31,678</u>
Fund balances:				
Reserved				
Unreserved, undesignated	17,338	292,200	494,675	804,213
Total fund balances	<u>17,338</u>	<u>292,200</u>	<u>494,675</u>	<u>804,213</u>
Total liabilities and fund balances	<u>\$ 49,016</u>	<u>\$ 292,200</u>	<u>\$ 494,675</u>	<u>\$ 835,891</u>

GARFIELD COUNTY, UTAH
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended December 31, 2005

	Municipal Building Authority	Special Service District #1	Fire Protection Recreation SSD	Nonmajor Governmental Funds
REVENUES:				
Interest earnings	\$ 2,955	\$ 12,550	\$ 14,319	\$ 29,824
Intergovernmental revenues	131,850	109,116	293,955	534,921
Charges for services				
Miscellaneous	110,000			110,000
Total Revenues	<u>244,805</u>	<u>121,667</u>	<u>308,274</u>	<u>674,745</u>
EXPENDITURES:				
General government				
Public safety/inspection services				
Public works/transportation	294,241			294,241
Culture & recreation				
Tourism/economic & community development				
Public health & welfare				
Capital outlay				
Debt service:				
Principal retirements				
Interest and fiscal charges				
Total Expenditures	<u>294,241</u>			<u>294,241</u>
Excess of Revenues over (under) Expenditures	<u>(49,437)</u>	<u>121,667</u>	<u>308,274</u>	<u>380,504</u>
OTHER FINANCING SOURCES (USES):				
Debt proceeds				
Operating transfers in	20,000	131,108		151,108
Operating transfers out	(36,657)	(250,324)	(92,794)	(379,775)
Sale of fixed assets				
Total Other Financing Sources (Uses)	<u>(16,657)</u>	<u>(119,216)</u>	<u>(92,794)</u>	<u>(228,667)</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(66,094)</u>	<u>2,451</u>	<u>215,480</u>	<u>151,837</u>
FUND BALANCES JANUARY 1	83,432	289,749	279,195	652,376
FUND BALANCES DECEMBER 31	<u><u>\$ 17,338</u></u>	<u><u>\$ 292,200</u></u>	<u><u>\$ 494,675</u></u>	<u><u>\$ 804,213</u></u>

GARFIELD COUNTY, UTAH
Statement of Changes in Assets and Liabilities
Agency Funds
December 31, 2005

	Balance December 31, 2004	Additions	Deletions	Balance December 31, 2005
Assets				
Cash & cash equivalents	\$ 597,553	\$ 3,428,469	\$ 3,323,907	\$ 702,115
Taxes receivable	35,506	10,683		46,189
Total assets	<u>\$ 633,059</u>	<u>\$ 3,439,152</u>	<u>\$ 3,323,907</u>	<u>\$ 748,304</u>
Liabilities				
Due to taxing units	\$ 633,059	\$ 3,439,152	\$ 3,323,907	\$ 748,304
Total liabilities	<u>\$ 633,059</u>	<u>\$ 3,439,152</u>	<u>\$ 3,323,907</u>	<u>\$ 748,304</u>

GARFIELD COUNTY, UTAH
COUNTY TREASURER
STATEMENT OF CURRENT TAXES CHARGED,
COLLECTED, AND DISBURSED - CURRENT & PRIOR YEARS
DECEMBER 31, 2005

TAXING UNITS	Year-End Value	Personal Property Value	Total Value	Tax Rate	Per. Prop. Taxes	Taxes Charged
COUNTY FUNDS:						
General	355,466,890	10,801,402	366,268,292	0.001460	14,560	533,542
SCHOOL DISTRICTS						
Garfield County	355,466,890	10,801,402	366,268,292	0.007819	86,984	2,866,380
CITIES AND TOWNS:						
Antimony	5,264,033	75,944	5,339,977	0.000820	70	4,387
Boulder	12,523,985	292,110	12,816,095	0.000354	107	4,540
Cannonville	4,688,999	199,080	4,888,079	0.003474	726	17,016
Escalante	30,374,791	547,186	30,921,977	0.002789	1,512	86,227
Hatch	5,879,654	89,145	5,968,799	0.001089	96	6,499
Henrieville	4,051,558	10,750	4,062,308	0.000908	11	3,690
Panguitch	46,996,849	2,828,630	49,825,479	0.002613	7,640	130,443
Tropic	17,008,152	375,550	17,383,702	0.000768	302	13,364
Sevier River Users	253,399,306	8,034,352	261,433,658	0.000045	362	11,765
Total Cities & Towns					10,826	277,931
CEMETERIES						
Antimony	6,630,752	76,444	6,707,196	0.000187	16	1,256
Cannonville	4,923,984	222,125	5,146,109	0.000400	71	2,041
Escalante	49,906,026	1,240,841	51,146,867	0.000193	239	9,871
Hatch	12,168,816	309,085	12,477,901	0.000067	20	835
Henrieville	4,630,782	10,750	4,641,532	0.000152	2	706
Panguitch	68,897,868	3,559,735	72,457,603	0.000216	787	15,669
Tropic	37,790,409	3,770,813	41,561,222	0.000172	637	7,137
Total Cemeteries					1,772	37,515
WATER CONSERVANCY	253,399,306	8,034,352	261,433,658	0.000400	2,836	104,196
FIRE DISTRICT						
Panguitch Lake Fire Dist.	62,333,247	209,615	62,542,862	0.000393	83	24,580
Mammoth Creek Fire Dist.	38,143,216	500	38,143,716	0.000608		23,191
Total Fire Districts					83	47,771
GRAND TOTALS					117,061	3,867,335

Treasurer's Relief				Taxes Collected	Rate	Fee in Lieu	Misc. Collection	Delinquencies	
Unpaid Taxes	Abatements	Other	Total					Tax	Interest & Penalty
46,189	7,352	(5,607)	47,934	485,608	91.02	52,836	11,699	37,892	21,909
217,115	39,375	1,022	257,512	2,608,868	91.02	315,646	69,273	218,644	10,088
141	90	(3)	228	4,159	94.80	1,321	135	282	16
315	65	(8)	372	4,168	91.81	761	91	223	7
2,043	638	(28)	2,653	14,363	84.41	4,490	450	4,613	263
5,189	3,064	(24)	8,229	77,998	90.46	16,216	2,092	3,753	98
788	209	31	1,028	5,471	84.18	1,169	127	165	4
318	377	(7)	688	3,002	81.36	1,327	69	191	8
6,646	4,360	287	11,293	119,150	91.34	27,311	2,866	6,313	267
1,496	326	(17)	1,805	11,559	86.49	3,115	336	2,243	108
833	128	(6)	955	10,810	91.88	1,099	278	996	52
17,769	9,257	225	27,251	250,680	90.20	56,809	6,444	18,779	823
32	21	(1)	52	1,204	95.86	302	117	65	4
230	74	(3)	301	1,740	85.25	393	41	404	23
512	224	(2)	734	9,137	92.56	1,181	230	560	12
104	13	5	122	713	85.39	145	17	66	2
55	68	(2)	121	585	82.86	221	15	32	1
1,082	376	43	1,501	14,168	90.42	2,839	417	1,023	48
381	73		454	6,683	93.64	1,004	157	1,614	104
2,396	849	40	3,285	34,230	91.24	6,085	994	3,764	194
7,407	1,135	(82)	8,460	95,736	91.88	8,619	2,259	7,671	396
2,098	128	(15)	2,211	22,369	91.00	566	533	1,334	53
1,988		(157)	1,831	21,360	92.10	5	505	1,117	30
4,086	128	(172)	4,042	43,729	183	571	1,038	2,451	83
294,962	58,096	(4,574)	348,484	3,518,851	90.99	440,566	91,707	289,201	33,493



COMPLIANCE SECTION

Wilson & Company

Certified Public Accountants / A Professional Corporation

GARFIELD COUNTY, UTAH **REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER** **FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL** **STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT** **AUDITING STANDARDS**

Honorable Board of County Commissioners
Garfield County
Panguitch, Utah

We have audited the financial statements of Garfield County, Utah as of and for the year ended December 31, 2005, and have issued our report thereon dated June 9, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Garfield County, Utah's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of Garfield County, Utah in a separate letter dated June 20, 2006.

Internal Control Over Financial Reporting


In planning and performing our audit, we considered Garfield County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Garfield County, Utah

Page 2

We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of Garfield County, Utah in a separate letter dated June 20, 2006.

This report is intended solely for the information of Garfield County, Utah and applicable federal and state funding and auditing agencies and is not intended to be and should not be used by anyone other than these intended parties.



WILSON & COMPANY
Certified Public Accountants

Cedar City, Utah
June 9, 2006

Wilson & Company

Certified Public Accountants / A Professional Corporation

GARFIELD COUNTY, UTAH
AUDITOR'S REPORT ON COMPLIANCE WITH STATE FISCAL LAWS
For the Year Ended December 31, 2005

The Honorable Board of County Commissioners
Garfield County
55 South Main
Panguitch, Utah

We have audited the general purpose financial statements of Garfield County, Utah, for the year ended December 31, 2005 and have issued our report thereon dated June 9, 2006. As part of our audit, we have audited Garfield County's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah's Legal Compliance Audit Guide for the year ended December 31, 2005. The County received the following major State assistance programs from the State of Utah:

B Road Funds (Department of Transportation)
State Mineral Lease
UDOT - Div of Aeronautics
Liquor Law Enforcement

Our audit also included testwork on the County's compliance with those general compliance requirements identified in the Compliance manual for Audits of Local Governments in Utah including:

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Truth in Taxation
Other Compliance Requirements
Liquor Law Enforcement
Impact Fees

Justice Courts
Special Districts
B & C Road Funds
Uniform Building Code Standards
Statement of Taxes Charged, Collected
and Disbursed
Assessing and Collecting
Transient Room Tax

The management of Garfield County is responsible for the County's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred.

An audit includes examining, on a test basis evidence about the County's compliance with the requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with requirements referred to above, which are described in the accompanying management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Garfield County, Utah, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of service allowed and unallowed; eligibility; matching, level of effort, or earmarking; reporting, and special tests and provisions that are applicable to each of its major State assistance programs for the year ended December 31, 2005.


WILSON & COMPANY
Certified Public Accountants

June 9, 2006
Cedar City, Utah

Wilson & Company

Certified Public Accountants / A Professional Corporation

The Honorable Board of County Commissioners
Garfield County
55 South Main
Panguitch, Utah 84759

We have completed our examination of the records of Garfield County for the year ended December 31, 2005. As part of our engagement, we offer the following recommendations for strengthening internal accounting controls and improving accounting procedures.

In considering the findings and recommendations in this letter, it is important to recognize that a letter of this type is intended to be constructive in nature and its purpose is to point out areas for improvement. The absence of comment of a positive or complimentary nature is not intended to imply that the County operates in an inefficient or unsound manner.

Cash Management

We noted during our exam that the bank reconciliation shows several checks outstanding that are dated beyond six months.

We suggest that these checks be voided and reissued if applicable or, if necessary, transmitted to the Division of Unclaimed Property in the Utah State Treasurer's Office.

Returned Check Clearing

We noted during the exam that the returned check clearing reconciliation was not always prepared on a timely basis.

We suggest that this account be reconciled on a monthly basis and that NSF checks be referred for collection immediately or written off, with approval, if necessary.

Zions Bank Trust Accounts

We noted during our exam that the activity of the trust accounts related to outstanding bonds held by Zions Bank was not recorded in the general ledger.

We suggest that Zions Bank be instructed to send copies of the trust statements to the County on a monthly basis and that the activity be recorded in the general ledger each month. Doing so will make the financial statements more accurate and allow for the detection and correction of any errors made by the bank.

Commission Approval For Cash Accounts

We noted during our examination that 3 cash accounts were closed during the year but that the approval to do so could not be found in the minutes of commission meeting.

We suggest that the County follow the practice of having the Commission approve the opening and closing of any cash account and that the approval to do so be clearly stated in the minutes.

Amounts Due To and Due From Other Funds

We noted the presence of a due to and due from balance relating to the General Fund and the Municipal Building Authority.

We suggest that this amount be repaid by the Municipal Building Authority to the General Fund to clear the amount due and to close these general ledger accounts.

Deposits In Transit

We noted in our exam that some amounts shown as deposits in transit would more accurately be recorded as accounts receivable.

We suggest that the County adhere to a strict cutoff of month end and that only deposits received and made before the end of the month and not posted by the bank until the following month be shown as deposits in transit. Other deposits received after month end and subject to accrual should be recorded as accounts receivable.

Compensated Absences Payable

We noted during the exam that the payable for compensated absences has risen to \$435,874.

We suggest that the County should consider the need to begin funding this payable. The County could do so by opening a separate PTIF account and funding a portion of the payable each year.

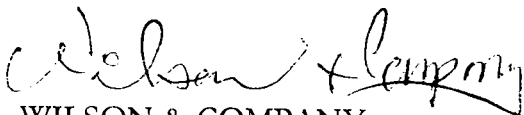
The County may also consider reviewing the policies of the County such as vacation and sick leave which are causing this payable to rise to a large amount.

Landfill Financial Assurance

We noted during our exam that the engineering estimates of closure and post closure costs for the landfills has risen to \$224,880.

We suggest that the County review this matter and begin to fund these costs in accordance with the schedule included in the financial assurance plan for the landfills.

We appreciate the opportunity to serve the County as independent auditors, and would like to thank both elected officials and County employees for being so helpful during our examination. If we can be of further service or if additional information is required as to items covered in this letter, we would be pleased to meet with you.

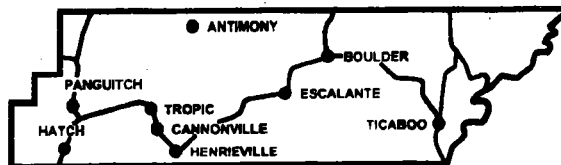


WILSON & COMPANY
Certified Public Accountants
June 20, 2006

GARFIELD COUNTY

County Commissioners

D. Maloy Dodds
H. Dell LeFevre
Clare M. Ramsay
Camille A. Moore
Clerk/Auditor



55 South Main Street, P.O. Box 77 • Panguitch, Utah 84759
Phone (435) 676-8826 • Fax (435) 676-8239

Joe Thompson, Assessor
Judy Henrie, Treasurer
Than Cooper, Sheriff
Barry L. Huntington, Attorney
A. Les Barker, Recorder
John W. Yardley,
Justice Court Judge

June 27, 2006

Utah State Auditor
211 State Capitol
Salt Lake City, Utah 84114

Gentlemen:

In response to the management letter issued by Wilson and Company for the calendar year ending December 31, 2005, I would like to offer the following:

1. Cash Management: The County will review its policy on outstanding checks.
2. Returned Check Clearing: The returned check clearing will be reconciled on a monthly basis, and NSF checks will be referred for collection immediately and written off is necessary.
3. Zions Bank Trust Accounts: Zions Bank has been contacted and effective July 1, 2006 the trust statement will be provided on a monthly basis. Monthly activity in the trust accounts will be recorded in the general ledger.
4. Commission Approval For Cash Accounts: Approval will be documented in the Commission Meeting minutes for cash accounts that are opened or closed.
5. Amounts Due To and Due From Other Funds: The amount due from the Municipal Building Authority was transferred to the General Fund on May 4, 2006.
6. Deposits In Transit: The month end cut off for deposits will be adhered to and deposits received after month end will be recorded as accounts receivable.
7. Compensated Absences Payable: The County will address the compensated absences payable during the 2007 budget process and consider funding the payable in a separate PTIF account.

8. Landfill Financial Assurance: Escrow accounts have been established for the County's Landfills and currently have a combined balance of \$44,000.00. The County will continue to fund these accounts as required by state regulation.

Garfield County appreciates the service and dedication of our independent auditors. The audit was performed in a very thorough and timely manner. Their suggestions and recommendations will help to improve the service provided the citizen's of Garfield County.

Sincerely,

A handwritten signature in cursive script, reading "Camille A. Moore".

Camille A. Moore
Garfield County Clerk/Auditor